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plan) with appropriate provision for A-95 State clearinghouse review. The Council will review the proposed revision and notify the State of its decision no later than 30 days from the date of receipt of the request.

§ 740.6 Financial assistance.

(a) The Council shall provide financial assistance from funds available for each fiscal year to each State having an approved application pursuant to § 740.5.

(b) Within the provisions prescribed by paragraphs (c) and (d) of this section, the Council may grant up to 50 percent of the cost for a State program.

(c) The funds appropriated pursuant to the Act for the fiscal year shall be allocated among the participating States as follows, except that under paragraphs (d) (2) through (4) of this section no State shall be granted a greater or lesser sum of funds which shall be based upon a procedure in which each of the factors of population, land area, and the reciprocal of per capital income, are adjusted such that:

(1) Those States having observations two standard deviations below the mean of each respective factor are equated to the mean-minus-two standard deviations, and

(2) Those States having observations two standard deviations above the mean of each respective factor are equated to the mean-plus-two standard deviations.

(d) Financial assistance for the Program shall be allocated among the participating States from funds available for any fiscal year based on the following formula:

(1) An equal share not to exceed \$100,000, the total of which shares shall not exceed 10 percent of the funds available for any fiscal year;

(2) One-third of the remaining balance of the funds after accounting for paragraph (d)(1) of this section in the ratio that the population of each State bears to the population of all States;

(3) One-third of the remaining balance of the funds after accounting for paragraphs (d)(1) and (2) of this section in the ratio that the land area of each State bears to the land area of all the States;

(4) One-third of the remaining balance of funds after accounting for paragraphs (d)(1), (2), and (3) of this section in the ratio that the reciprocal of all per capital income of a State bears to the sum of the reciprocals for all States; and

(5) The remainder of the funds according to the need for water management planning in each State as expressed by the State and assessed by the Council. In assessing need for water management, the Council shall utilize established criteria, the proposed program, and information made available during program review.

(e) Redistribution of grant funds may occur:

(1) If a State fails to apply for a grant within the period specified in § 740.3, or is unable to match the total allocation reserved under § 740.6(d) for that State, that portion of the reserved allocation will be withdrawn by the Council;

(2) If a State fails to obligate Federal funds within the grant period of the approved or amended grant agreement as prescribed in § 740.7(c), such funds shall be returned to the Council not later than 30 days after submission of the Financial Statement for the grant period unless the Council, based on written request, grants an exception or extension to this time limitation;

(3) Funds available under paragraph (e)(1) of this section shall be available for redistribution to those States requesting additional funds pursuant to § 740.3(d)(7). These funds shall be distributed on the basis of proposals in the application, and the relationship of the State's original allocation to the original allocation of other States requesting redistribution funds; and

(4) Funds available under paragraph (e)(2) of this section shall be added to funds available for distribution for the next fiscal year, if the appropriation legislation for the current year allows such action.

§ 740.7 Administration of financial assistance.

(a) Grants under this part shall comply with the requirements of:

(1) Office of Management and Budget (OMB) Circular A-102, Revised, (34 CFR

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Part 256), entitled “Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments;”

(2) Federal Management Circular (FMC) 74-4 (34 CFR Part 255), entitled “Cost Principles Applicable to Grants and Contracts with State and Local Governments;”

(3) OMB Circular A-73 (34 CFR Part 251), entitled “Audit of Federal Operations and Programs;”

(4) OMB Circular A-95, entitled “Evaluation, Review and Coordination of Federal and Federally assisted Programs and Projects;”

(5) Treasury Circular (TC) 1075, entitled “Regulations Governing Withdrawals of Cash from the Treasury for Advances under Federal Grants and other Programs;”

(6) TC 1082, entitled, “Notification to States of Grants-in-Aid Information”; and

(7) Other procedures which the Council may from time to time prescribe for the administration of financial assistance.

(b) The planning process as required by these guidelines and assisted by WRC Title III program funds shall reflect the concepts of the Council’s 1979 publication, *A Unified National Program for Floodplain Management*, and the concepts of floodplain and wetlands identification, avoidance and mitigation as described in the Council’s *Floodplain Management Guidelines* (43 FR 6030). In the application for financial assistance, the State shall assure the Council that the following planning concepts have been or will be integrated into the planning process:

(1) Determination of whether proposed activities would be located in floodplains or wetlands, or, even if located outside of them, would have the potential to affect floodplains or wetlands;

(2) Avoidance of performing activities within floodplains or wetlands wherever there is a practicable alternative;

(3) Where avoidance of floodplains cannot be achieved, minimization of adverse impacts and support of floodplain development, and preservation and restoration of natural and beneficial floodplain values; and

(4) Where avoidance of wetlands cannot be achieved, minimization of adverse impacts and support of new construction in wetlands, and preservation and enhancement of natural and beneficial wetlands values.

(c) Program funds must be obligated within the grant period unless the Council, based on written request, grants an exception or extension to this time limitation. The repeated occurrence of unobligated program funds at the end of the grant period will be considered in determining the need for assistance in subsequent years pursuant to § 740.6(d)(5).

(d) The procurement standards, practices, rules and policies of the State as customarily applied, if in accordance with Attachment O of OMB Circular A-102, shall govern for procurement costs incurred in an approved program.

(e) For all matching funds the sources of a State’s cost share shall have no bearing on whether or not such costs can be matched by Federal funds except that:

(1) Other Federal funds or property cannot be used for matching purposes unless specifically permitted by Federal law;

(2) Program funds shall not be used to match Federal funds under any other federally aided program;

(3) Non-Federal funds used to match other federally aided programs shall not be used to match funds provided under the Act; and

(4) Federal funds provided through this program, if duly matched through the requirements of this part, may be used as non-Federal contributions for Level B studies beginning in Fiscal Year 1981.

(f) Any cost incurred for water management planning may be employed for matching a grant awarded under the Act except as specified in this section. Such expenditures must be reasonable, documentable, and directly applicable to the approved program.

(g) Program funds may not be used for:

(1) Items whose costs are not allowable under the provision of FMC 74-4;

(2) Contributions, dues or assessments to support headquarters offices of interstate commissions, compacts,

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councils, interagency committees, or other similar organizations;

(3) Scholarly or scientific investigations for purposes other than addressing water management problems, needs, concerns or interests specifically identified and explained in the approved program as a priority consideration;

(4) Construction, payment of subsidies, or purchase of land or easements;

(5) Purchase of equipment with a unit cost of \$1,500 or more without prior approval of the Council; and

(6) Purchase of equipment with a unit cost of less than \$1,500 when the cumulative cost of such equipment in any one grant period exceeds 1 percent of the grant award, without prior approval of the Council.

(h) Federal funds may not be used to substitute for State and local funds that would have been made available for water management planning programs in the absence of the grant funds provided under this part. Federal funds may be used to supplement and complement existing water management planning programs. It does not prevent drawing matching shares from individual programs or from existing agency appropriations, budgets, or resources so long as expenditures are not substituted by Federal funds for the purposes of the Act.

(i) Payments shall be made in accordance with Attachment J of OMB Circular A-102 and TC 1075. Grant funds shall be requested only on an as needed basis.

(j) Financial management procedures shall comply with Attachment G of OMB Circular A-102 and with TC 1075. The applicable Federal requirements shall apply to the State and to local governments or non-governmental entities that receive funds as a sub-grantee for the purposes of the Act.

§ 740.8 Reporting.

(a) The designated agency shall submit program status reports and financial statements in accordance with procedures established by the Council. Instructions and a description of the content of these reports and the appropriate forms will be provided by the Council and will be in accordance with

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Attachments H, I and K of OMB Circular A-102 and TC 1075.

(b) The annual program report shall be due 90 days after the end of the grant period, as specified in the grant agreement, and shall contain:

(1) A summary description of the major accomplishments and results of the water management planning activities for the year, and an explanation of any work proposed in the work plan that has not been completed;

(2) An updated activity milestone chart, for each major activity in the work plan, showing the completion dates of major tasks;

(3) For those States implementing an evaluation system, a summary of the results of the evaluation efforts on the overall program effectiveness and key water management activities;

(4) A list of publications, public information materials, and other documents prepared in whole or in part with program funds which must duly note the use of Council grant funds in the printing of these documents;

(5) Other pertinent information, including any specific need for assistance; and

(6) An annual Financial Status Report.

(c) The Report of Federal Cash Transactions, as required under the provisions of Treasury Circular 1075, is due 30 days after the end of each quarter of the grant period, as specified in the grant agreement.

§ 740.9 Recordkeeping.

Each State or other entity within a State receiving financial assistance under this part shall make and retain records required by the Council, including records which fully disclose the amount and disposition of financial assistance received; the cost of administration; the total cost of all activities for which assistance is given or used; and any data and information which the Council determines are necessary to protect the interests of the United States and to facilitate an effective financial audit and performance evaluation. The Council and the Comptroller General of the United States shall have access to any books, documents, records or receipts which the Council determines are relevant or pertinent,